

BIG RAPIDS HOUSING COMMISSION
BIG RAPIDS, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Big Rapids Housing Commission		County	
Fiscal Year End 03/31/2006		Opinion Date 06/08/2006		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

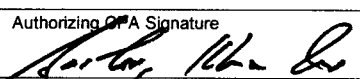
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Sailor, Khan & Co.		Telephone Number 314-726-3308		
Street Address P.O. Box 16080		City St. Louis	State MO	Zip 63105
Authorizing CPA Signature 		Printed Name Shah I. Khan		License Number 1101018584

BIG RAPIDS HOUSING COMMISSION
Big Rapids, Michigan

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Sailor

Certified Public Accountants

Khan & Co.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the accompanying basic financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

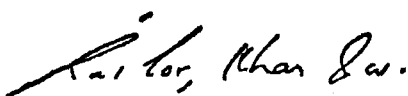
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Big Rapids Housing Commission, Michigan, as of March 31, 2006, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2006, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.
June 8, 2006

Big Rapids Housing Commission

Management's Discussion and Analysis (MD&A)

March 31, 2006

(Unaudited)

This section of the Big Rapids Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on March 31, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The Big Rapids Housing Commission operates several programs which are summarized below:

Low Rent Public Housing

The Big Rapids Housing Commission currently operates public housing units within three distinctive developments, which include: South Parkview Village (MI-041-001), North Parkview Village (MI-041-002), and Evergreen Village (MI-041-003). The Housing Commission is responsible for the complete management and maintenance of all the public housing units and properties. The funds to operate these units are generated from rent revenues, interest income, miscellaneous income, and operating subsidy provided by the Department of Housing and Urban Development.

Capital Fund Program

The Big Rapids Housing Commission is awarded a capital fund grant each year, which is determined by HUD upon the level of appropriations from Congress. The funds are spent on various improvements to the public housing units, properties, and management needs. In the past fiscal year the Big Rapids Housing Commission completed; office renovations, highrise entrance renovations, appliance replacements, sign replacements and purchased a maintenance vehicle.

Childcare/Learning Center

The Big Rapids Housing Commission operates a childcare/learning center which is licensed by the State of Michigan for 55 children. The center provides quality childcare and a structured learning environment for children. The center priority is to serve the residents of public housing but is also open to the general public.

Homeownership Program

The Big Rapids Housing Commission operates a Homeownership Program funded by Acquisition/Development/Resale (ADR) grants from the Michigan State Housing Development Authority. The housing commission acquires single family homes and then completely renovates each for sale to income qualified homebuyers. Public housing residents have priority in purchasing these homes.

Management's Discussion and Analysis (MD&A) - Continued

Nisbett-Fairman Buildings

The Big Rapids Housing Commission is the managing general partner of the Nisbett-Fairman LDHA LP, which owns and operates the 47 senior apartments in the second and third floors of the Nisbett & Fairman buildings. The Big Rapids Housing Commission is the sole owner of the first floor of each building and rents the commercial space in each building to local businesses. The ownership of buildings is separated according to the Nisbett-Fairman Condominium Deed.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2006 were \$5,707,708. The net assets decreased by \$51,924, a decrease of 0.9% over the prior year.

Revenues and contributions for the Commission were \$2,027,043 for the year ended March 31, 2006. This was a decrease of \$78,106 or 3.7% from the prior year.

Expenses for the Authority were \$2,103,967 for the year ended March 31, 2006. This was a decrease of \$123,611 or 5.5% from the prior year.

HUD operating grants were \$597,842 for the year ended March 31, 2006. This was an increase of \$5,932 or 1.0% over the prior year. Capital contributions for the Commission were \$250,753 for the year ended March 31, 2006. This was a decrease of \$60,403 or 19.4% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended [fiscal year end date] and is required to be included in the audit reporting package

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$5,707,708 at the close of the year ended March 31, 2006 down from \$5,759,632 in 2005. The decrease in net assets of \$51,924 was due to the change in net assets for the year.

The unrestricted net assets were \$759,903 as of March 31, 2006. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS MARCH 31,

	2006	2005	Dollar Change	Percent Change
Current and other assets	\$ 959,650	\$ 734,651	\$ 224,999	30.6%
Restricted assets	1,918	1,731	187	10.8%
Capital assets	5,526,884	5,821,132	(294,248)	-5.1%
Other assets	9,338	8,087	1,251	15.5%
Total Assets	<u>6,497,790</u>	<u>6,565,601</u>	<u>(67,811)</u>	-1.0%
Current liabilities	229,184	389,670	(160,486)	-41.2%
Noncurrent liabilities	560,898	416,299	144,599	34.7%
Total Liabilities	<u>790,082</u>	<u>805,969</u>	<u>(15,887)</u>	-2.0%
Net Assets				
Invested in capital assets, net of related debt	4,947,805	5,403,964	(456,159)	-8.4%
Unrestricted	759,903	355,668	404,235	113.7%
Total Net Assets	<u>\$ 5,707,708</u>	<u>\$ 5,759,632</u>	<u>\$ (51,924)</u>	-0.9%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table, total revenues and contributions decreased by \$78,106 due to decreases in capital contributions and other income, which was partially offset by increases in rental revenue, HUD operating grants, other operating grants and interest income.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS MARCH 31,

	2006	2005	Dollar Change	Percent Change
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 830,544	\$ 794,242	36,302	4.6%
HUD operating grants	597,842	591,910	5,932	1.0%
Operating grants - other	10,115	----	10,115	100.0%
Interest income	6,954	2,925	4,029	137.7%
Capital Contributions	250,733	311,136	(60,403)	-19.4%
Other income	329,525	404,936	(75,411)	-18.6%
Gain on sale of fixed assets	1,330	----	1,330	100.0%
Total Revenues and Contributions	<u>2,027,043</u>	<u>2,105,149</u>	<u>(78,106)</u>	-3.7%
Expenses				
Personal services	799,865	858,288	(58,423)	-6.8%
Utilities	342,835	286,773	56,062	19.5%
Operations and maintenance	94,980	153,156	(58,176)	-38.0%
Insurance	93,026	75,051	17,975	24.0%
Payment in lieu of taxes	47,808	52,312	(4,504)	-8.6%
Other supplies and expenses	140,401	105,612	34,789	32.9%
Interest expense	41,321	37,261	4,060	10.9%
Other expense net from sale of property	----	92,379	(92,379)	-100.0%
Loss on sale of fixed assets	----	31,552	(31,552)	-100.0%
Depreciation	543,731	535,194	8,537	1.6%
Total Expenses	<u>2,103,967</u>	<u>2,227,578</u>	<u>(123,611)</u>	-5.5%
Change in net assets	(76,924)	(122,429)	45,505	
Beginning net assets	5,759,632	5,882,061	(122,429)	
Prior period adjustments	25,000	----	25,000	
Beginning net assets, adjusted	<u>5,784,632</u>	<u>5,882,061</u>	<u>(97,429)</u>	
Ending net assets	<u>\$ 5,707,708</u>	<u>\$ 5,759,632</u>	<u>\$ (51,924)</u>	

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

Total expenses for the Commission decreased by \$123,611 due to decreases in personal services, operations and maintenance, payments in lieu of taxes, and other expense net from sale of property, which were partially offset by increases in utilities, insurance, other supplies and expenses, interest expense and depreciation.

CAPITAL ASSETS

Capital Assets - The Big Rapids Housing Commission's investment in capital assets, as of March 31, 2006, amounts to \$5,526,884 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31,

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>
Land	\$ 337,455	\$ 337,455	\$ ----
Building	13,055,369	12,876,897	178,472
Furniture, equipment and machinery- dwelling	177,590	172,556	5,034
Furniture, equipment and machinery- administration	361,622	312,333	49,289
Leasehold improvements	<u>632,415</u>	<u>628,539</u>	<u>3,876</u>
	14,564,451	14,327,780	236,671
Accumulated depreciation	<u>9,037,567</u>	<u>8,506,648</u>	<u>530,919</u>
Total	<u>\$ 5,526,884</u>	<u>\$ 5,821,132</u>	<u>\$ (294,248)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$294,248 or 5.1% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$250,733 for the year. The Commission has \$273,380 available in Capital Funds to draw down and spend in the future.

Debt Administration - As of the year ending March 31, 2006, the Commission had \$549,020, exclusive of current portion of \$30,058, in long-term debt outstanding compared to \$389,208, exclusive of current portion of \$177,961, last year. For more detail, please refer to Note, 3h. in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of Low Rent operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget and changes required with the implementation of asset management. Another major concern is with the continued increase in energy costs, particularly natural gas, as all of the Commission's heating plants are fueled by natural gas. The Commission, in fiscal year ending March 31, 2006, reduced its' full time staffing by 3 positions due the increase in operating costs and the continued under funding of operating costs by HUD.

Management's Discussion and Analysis (MD&A) - Continued

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to: Mark W. Sochocki, Executive Director, Big Rapids Housing Commission, 9 Parkview Village, Big Rapids, Michigan, 49307.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 294,852.22
Investments	157,684.69
Receivable - net of allowances:	
Accounts	20,082.40
Accrued interest	497.66
Inventory - net of allowances	6,943.18
Inventory - held for sale	426,446.14
Prepaid expenses	<u>53,144.19</u>

Total Current Assets	<u>959,650.48</u>
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Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>1,917.68</u>
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Total restricted assets	<u>1,917.68</u>
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Capital assets:

Land, improvements, and construction in progress	337,455.45
Other capital assets, net of depreciation	<u>5,189,428.18</u>

Total capital assets- net	<u>5,526,883.63</u>
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Other assets

Investment in joint venture	1,000.00
Organization costs- net	<u>8,337.86</u>

Total other assets- net	<u>9,337.86</u>
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Total Noncurrent Assets	<u>5,538,139.17</u>
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Total Assets	<u>\$ 6,497,789.65</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

March 31, 2006

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 80,516.07
Accrued salaries, wages and benefits	215.63
Accrued compensated absences	15,000.80
Tenant security deposit liability	83,419.50
Interest payable	2,430.35
Current portion of long term debt	30,058.41
Deferred revenues	<u>17,543.11</u>

Total Current Liabilities	<u>229,183.87</u>
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Noncurrent Liabilities:

Long term debt	549,020.23
Accrued compensated absences	9,960.38
Deferred credits and escrow deposits	<u>1,917.68</u>

Total Noncurrent Liabilities	<u>560,898.29</u>
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Total Liabilities	<u>790,082.16</u>
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NET ASSETS

Invested in capital assets, net of related debt	4,947,804.99
Unrestricted	<u>759,902.50</u>

Total Net Assets	<u>5,707,707.49</u>
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Total Liabilities and Net Assets	<u>\$ 6,497,789.65</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended March 31, 2006

Operating Revenues:

Rental revenue	\$ 830,543.49
Operating subsidies- HUD grants	597,841.81
Operating subsidies- other grants	10,114.74
Other revenues	<u>329,525.34</u>

Total operating revenues 1,768,025.38

Operating Expenses:

Personal services	799,864.99
Utilities	342,834.82
Operations and maintenance	94,980.49
Insurance	93,025.74
Payment in lieu of taxes	47,808.45
Other supplies and expenses	140,401.26
Depreciation	<u>543,731.30</u>

Total operating expenses 2,062,647.05

Operating income (loss) (294,621.67)

Non-operating revenues (expenses):

Interest and investment earnings	6,954.39
Interest expense	(41,320.92)
Gain (Loss) on sale of fixed assets	<u>1,330.00</u>

Net non-operating revenues (expenses) (33,036.53)

Income (loss) before other revenues, expenses,
gains, losses and transfers (327,658.20)

Capital contributions 250,733.26

Change in net assets (76,924.94)

Net assets at beginning of year 5,759,632.43

Prior period error corrections 25,000.00

Net assets adjusted at beginning of year 5,784,632.43

Net assets at end of year \$ 5,707,707.49

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2006

Cash flows from operating activities:	
Cash received from tenants	\$ 839,255.22
Cash received from HUD grants- operating	650,754.81
Cash received from other grants	10,114.74
Cash received from other operating activities	339,432.99
Cash payments for goods and services	(691,105.17)
Cash payments to employees-salaries	(612,137.25)
Cash payments for employee benefit contributions	(210,010.50)
Cash payments for in lieu of property taxes	<u>(49,524.73)</u>
Net cash provided (used) by operating activities	<u>276,780.11</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	41,600.00
Capital contributions	263,689.97
Proceeds from sale of assets	1,330.00
Proceeds from notes receivable	48,763.92
Receipts (payments) from deferred credits and escrow deposits	187.01
Payments for capital assets	(250,733.26)
Payments for inventory held for sale	(105,794.43)
Principal paid on capital debt	(29,690.00)
Interest paid on capital debt	<u>(41,312.15)</u>
Net cash (used) for capital and related financing activities	<u>(71,958.94)</u>
Cash flows from investing activities:	
Proceeds from sale of (payments) for investments	(17,417.84)
Interest and dividends	6,746.22
Receipts (payments) from tenant security deposits	<u>(2,231.50)</u>
Net cash provided (used) from investing activities	<u>(12,903.12)</u>
Net increase (decrease) in cash and cash equivalents	191,918.05
Cash and cash equivalents at beginning of year	<u>104,851.85</u>
Cash and cash equivalents at end of year	\$ <u><u>296,769.90</u></u>

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2006

Cash and cash equivalents	\$ 294,852.22
Restricted cash and cash equivalents	<u>1,917.68</u>
Total cash and cash equivalents at end of year	<u>\$ 296,769.90</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (294,621.67)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	543,731.30
Allowance for doubtful accounts	(1,398.80)
Changes in assets and liabilities:	
Receivables	55,702.23
Inventory	(401.82)
Prepaid expenses	(470.04)
Accounts and other payables	(11,439.30)
Deferred revenues	7,960.97
Compensated absences	(21,686.89)
Accrued expenses	<u>(595.87)</u>
Net cash provided (used) by operating activities	<u>\$ 276,780.11</u>

See notes to financial statements

Big Rapids, Michigan

March 31, 2006

The Big Rapids Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

1a. Financial Reporting Entity

Primary Government: Housing Commission

1b. Basis of Presentation

- 6 -

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Home-ownership-	The Commission operates a Home-ownership Program funded through grants from Michigan State Housing Development Authority and provides for the purchase and renovation of homes within the City of Big Rapids. These homes are sold to qualified buyers at their appraised value. Participants in the Commission's Family Self Sufficiency Program are given a priority to purchase the renovated homes.
Business Activities	The business activities of the Commission are comprised of the following: Historical Project - The Commission has a wholly owned subsidiary called the Big Rapids Housing Inc. which is the general partner of the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership. The Partnership operates 47 residential apartments on the 2 nd and 3 rd floors of the Nisbett and Fairman buildings while the Commission retains ownership of the 1 st floor commercial spaces in both buildings. Childcare Center- In August 2000 the Commission constructed a learning /childcare center which is the Stepping Stones Childcare Center. The center is currently licensed for 55 children.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable miscellaneous compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	3 - 40 years
Furniture, equipment and machinery - dwelling	10 - 15 years
Furniture, equipment and machinery - administration	3 - 15 years
Leasehold improvements	3 - 40 years
Organization costs	40 years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Family Self Sufficiency which is a HUD program.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Home Ownership	U.S. Department of Housing and Urban Development
Business Activities	State of Michigan and Commission

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization
Business Activities - Childcare	Lunch program

For the year ended March 31, 2006, the Commission complied, in all material respects, with these revenue restrictions.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at March 31, 2006. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 296,485.49	\$ 129,666.91	\$ ----	\$ 166,818.58	\$ 296,119.90
Total Deposits	\$ 296,485.49	\$ 129,666.91	\$ ----	\$ 166,818.58	\$ 296,119.90

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2006. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of Deposit	\$ 157,684.69	\$ ----	\$ ----	\$ 157,684.69	\$ 157,684.69
	<u>\$ 157,684.69</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 157,684.69</u>	<u>\$ 157,684.69</u>

3b. Restricted Assets

The restricted assets as of March 31, 2006, are as follows:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
FSS escrow	\$ 1,917.68	\$ ----	\$ ----	\$ 1,917.68
	<u>\$ 1,917.68</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 1,917.68</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Accounts Receivable

Receivables detail at March 31, 2006, is as follows:

Tenant accounts receivable	\$ 7,102.23
Allowance for doubtful accounts	<u>(1,034.60)</u>
Tenants accounts receivable - net	6,067.63
Accounts receivable - other	14,113.05
Allowance for doubtful accounts -other	<u>(98.28)</u>
	<u>\$ 20,082.40</u>

3d Capital Assets

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance March 31, 2006</u>
Land	\$ 337,455.45	\$ ----	\$ ----	\$ 337,455.45
Building	12,876,897.40	178,471.24	----	13,055,368.64
Furniture, equipment and machinery- dwelling	172,556.00	5,034.00	----	177,590.00
Furniture, equipment and machinery- administration	312,332.43	63,352.61	(14,063.00)	361,622.04
Leasehold improvements	<u>628,538.99</u>	<u>3,875.41</u>	<u>----</u>	<u>632,414.40</u>
	14,327,780.27	<u>\$ 250,733.26</u>	<u>\$ (14,063.00)</u>	14,564,450.53
Accumulated depreciation	<u>8,506,647.90</u>	<u>\$ 544,982.00</u>	<u>\$ (14,063.00)</u>	<u>9,037,566.90</u>
Total	<u>\$ 5,821,132.37</u>			<u>\$ 5,526,883.63</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3e. Accounts Payable

Payable detail at March 31, 2006, is as follows:

Accounts payable - vendors	\$ 43,519.13
Accounts payable - other government - PILOT	35,996.94
Accrued liabilities - other	<u>1,000.00</u>
	<u>\$ 80,516.07</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2006 is \$24,961.18.

3g. Non-current Liabilities

As of March 31, 2006, the non-current liabilities are comprised of the following:

Deferred credits and escrow deposits - FSS escrow	\$ 1,917.68
Accrued compensated absences - non current portion	<u>9,960.38</u>
Total	<u>\$ 11,878.06</u>

The following is a summary of changes in non-current liabilities for the year ended March 31, 2006:

	<u>Balance March 31, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>	<u>Amounts Due within One Year</u>
Deferred credits and escrow deposits	\$ 1,730.67	\$ 187.01	\$ ----	\$ 1,917.68	\$ ----
Accrued compensated absences	<u>25,360.73</u>	<u>----</u>	<u>15,400.35</u>	<u>9,960.38</u>	<u>15,000.80</u>
Total	<u>\$ 27,091.40</u>	<u>\$ 187.01</u>	<u>\$ 15,400.35</u>	<u>\$ 11,878.06</u>	<u>\$ 15,000.80</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Long-term Debt

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended March 31, 2006:

Type of Debt	Balance March 31, 2005	Additions	Deductions	Balance March 31, 2006	Amounts Due within One Year
Notes Payable - Historical Project	\$ 389,208.02	\$ ----	\$ 30,056.50	\$ 359,151.52	\$ 30,058.41
Notes Payable - Home Ownership	----	189,868.71	----	189,868.71	----
Total	<u>\$ 389,208.02</u>	<u>\$ 189,868.71</u>	<u>\$ 30,056.50</u>	<u>\$ 549,020.23</u>	<u>\$ 30,058.41</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity for long-term debt as of March 31, 2006, are as follows:

Project/Loan #	Date of Note	Original Amount	Interest Rate	Current Balance	Maturity Date
Historical Project					
Chemical Bank #000842011637	8-08-02	\$ 480,780.33	7.25%	\$ 389,209.93	8-08-07
Secured by two parcels of real estate located at 101 and 102 S. Michigan Avenue in Big Rapids, Michigan					
Home Ownership					
Chemical Bank #000842022592	5-13-05	\$ 150,000.00	8.75%	148,268.71	3-16-08
This is an unsecured note					
City of Big Rapids #1	1-03-06	\$ 16,800.00	5.25%	16,800.00	5-01-07
This is an unsecured note					
City of Big Rapids #2	2-03-06	\$ 24,800.00	5.25%	<u>24,800.00</u>	5-01-07
This is an unsecured note					
				<u>\$ 579,078.64</u>	

Year Ending March 31	Note Payable Principal
2007	\$ 30,058.41
2008	<u>549,020.23</u>
Total	<u>\$ 579,078.64</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3i. Assets Held for Sale

The amount of \$426,446.14 shown as assets held for sale represents homes to be sold to qualified buyers at their appraised value.

3j. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent	\$ 81,020.00	\$ ----
Capital Fund Program	----	81,020.00
Total	\$ <u>81,020.00</u>	\$ <u>81,020.00</u>

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ 94,359.90
Business Activities - Historical Project	12,825.22
Business Activities - Home Ownership	(94,716.21)
Business Activities - Childcare Center	<u>(12,468.91)</u>
Total	\$ <u>-----</u>

3j. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Notes receivable - prior year receipt of development fees	\$ 25,000.00
2. Accumulated depreciation - correct prior year depreciation	(1,250.70)
3. Organization expenses - correct prior period expense	<u>1,250.70</u>
Totals	\$ <u>25,000.00</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Commission has the following employee retirement plans:

Defined Benefit Plan for employees hired before July 1, 1999:

A defined benefit plan depends on the amount of pension benefits to be provided at a future date of after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. Employees who were hired before July 1, 1999 and did not timely elect to participate in defined contribution plan are enrolled in this plan. The Housing Commission contributed 9.25% of covered payroll.

For the year ended March 31, 2006, the following amounts related to the defined benefit plan:

Commission total payroll	\$ 611,541.38
Payroll for covered employees	\$ 195,998.16
Employer (Commission) contribution made	\$ 26,616.12

Defined Contribution Plan for employees hired on or after July 1, 1999:

A defined contribution plan depends solely on the amounts contributed to the plan plus investment earnings. Employees who were hired on or after July 1, 1999 are enrolled in defined contribution plan. The Housing Commission contributed 7.00% of covered payroll. The Housing Commission's contribution for each employee is fully vested after 7 years of continuous service.

For the year ended March 31, 2006, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 611,541.38
Payroll for covered employees	\$ 199,756.14
Employer (Commission) contribution made	\$ 13,982.93

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with HAARG - Housing Authority Accounting Risk Retention Group.
b. Injuries to employees (workers' compensation)	Purchased insurance with American International Group Inc.; Claims are administered by American International Group Inc.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000.0 deductibles.
d. Health and life	Purchased health insurance with Blue Cross and Blue Shield of Michigan; Life insurance is provided by Fort Dearborn Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At March 31, 2006, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-04	\$ 463,429.00	\$ 447,820.34
CFP 501-05	405,100.00	147,328.22
	<u>\$ 868,529.00</u>	<u>\$ 595,148.56</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

March 31, 2006

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 191,823.87	\$ ----	\$ 37,928.40
Investments	157,684.69	----	----
Receivable - net of allowances:			
Accounts	6,622.63	----	10,426.80
Accrued interest	497.66	----	----
Due from (to) interprogram	94,359.90	----	12,825.22
Inventory - net of allowances	6,943.18	----	----
Prepaid expenses	51,355.80	----	536.77
Total Current Assets	<u>509,287.73</u>	<u>----</u>	<u>61,717.19</u>
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	<u>1,917.68</u>	<u>----</u>	<u>----</u>
Total restricted assets	<u>1,917.68</u>	<u>----</u>	<u>----</u>
Capital assets:			
Land, improvements, and construction in progress	234,748.45	----	84,400.00
Other capital assets, net of depreciation	<u>3,962,107.67</u>	<u>653,302.72</u>	<u>548,513.71</u>
Total capital assets- net	<u>4,196,856.12</u>	<u>653,302.72</u>	<u>632,913.71</u>
Other assets			
Investment in joint venture	----	----	1,000.00
Organization costs- net	<u>----</u>	<u>----</u>	<u>8,337.86</u>
Total other assets- net	<u>----</u>	<u>----</u>	<u>9,337.86</u>
Total Noncurrent Assets	<u>4,198,773.80</u>	<u>653,302.72</u>	<u>642,251.57</u>
Total Assets	<u>\$ 4,708,061.53</u>	<u>\$ 653,302.72</u>	<u>\$ 703,968.76</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2006

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 75,248.26	\$ ----	\$ 3,310.06
Accrued salaries, wages and benefits	215.63	----	----
Accrued compensated absences	12,617.80	----	----
Tenant security deposit liability	72,929.50	----	10,490.00
Interest payable	----	----	1,778.10
Current portion of long term debt	----	----	30,058.41
Deferred revenues	<u>12,697.39</u>	<u>----</u>	<u>3,605.02</u>
Total Current Liabilities	<u>173,708.58</u>	<u>----</u>	<u>49,241.59</u>
Noncurrent Liabilities:			
Long term debt	----	----	359,151.52
Accrued compensated absences	9,116.43	----	----
Deferred credits and escrow deposits	<u>1,917.68</u>	<u>----</u>	<u>----</u>
Total Noncurrent Liabilities	<u>11,034.11</u>	<u>----</u>	<u>359,151.52</u>
Total Liabilities	<u>184,742.69</u>	<u>----</u>	<u>408,393.11</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,196,856.12	653,302.72	243,703.78
Unrestricted	<u>326,462.72</u>	<u>----</u>	<u>51,871.87</u>
Total Net Assets	<u>4,523,318.84</u>	<u>653,302.72</u>	<u>295,575.65</u>
Total Liabilities and Net Assets	<u>\$ 4,708,061.53</u>	<u>\$ 653,302.72</u>	<u>\$ 703,968.76</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2006

	Home Ownership	Childcare Center	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 64,895.12	\$ 204.83	\$ 294,852.22
Investments	-----	-----	157,684.69
Receivable - net of allowances:			
Accounts	1,165.74	1,867.23	20,082.40
Accrued interest	-----	-----	497.66
Due from (to) interprogram	(94,716.21)	(12,468.91)	-----
Inventory - net of allowances	-----	-----	6,943.18
Inventory - held for sale	426,446.14	-----	426,446.14
Prepaid expenses	-----	1,251.62	53,144.19
	<u>397,790.79</u>	<u>(9,145.23)</u>	<u>959,650.48</u>
Total Current Assets			
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	-----	-----	1,917.68
	<u>-----</u>	<u>-----</u>	<u>1,917.68</u>
Total restricted assets			
Capital assets:			
Land, improvements, and construction in progress	18,307.00	-----	337,455.45
Other capital assets, net of depreciation	23,244.41	2,259.67	5,189,428.18
	<u>41,551.41</u>	<u>2,259.67</u>	<u>5,526,883.63</u>
Total capital assets- net			
Other assets			
Investment in joint venture	-----	-----	1,000.00
Organization costs- net	-----	-----	8,337.86
	<u>-----</u>	<u>-----</u>	<u>9,337.86</u>
Total other assets- net			
	<u>41,551.41</u>	<u>2,259.67</u>	<u>5,538,139.17</u>
Total Noncurrent Assets			
Total Assets	\$ <u>439,342.20</u>	\$ <u>(6,885.56)</u>	\$ <u>6,497,789.65</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2006

	Home Ownership	Childcare Center	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 337.14	\$ 1,620.61	\$ 80,516.07
Accrued salaries, wages and benefits	-----	-----	215.63
Accrued compensated absences	-----	2,383.00	15,000.80
Tenant security deposit liability	-----	-----	83,419.50
Interest payable	652.25	-----	2,430.35
Current portion of long term debt	-----	-----	30,058.41
Deferred revenues	-----	1,240.70	17,543.11
Total Current Liabilities	<u>989.39</u>	<u>5,244.31</u>	<u>229,183.87</u>
Noncurrent Liabilities:			
Long term debt	189,868.71	-----	549,020.23
Accrued compensated absences	-----	843.95	9,960.38
Deferred credits and escrow deposits	-----	-----	1,917.68
Total Noncurrent Liabilities	<u>189,868.71</u>	<u>843.95</u>	<u>560,898.29</u>
Total Liabilities	<u>190,858.10</u>	<u>6,088.26</u>	<u>790,082.16</u>
NET ASSETS			
Invested in capital assets, net of related debt	(148,317.30)	2,259.67	4,947,804.99
Unrestricted	<u>396,801.40</u>	<u>(15,233.49)</u>	<u>759,902.50</u>
Total Net Assets	<u>248,484.10</u>	<u>(12,973.82)</u>	<u>5,707,707.49</u>
Total Liabilities and Net Assets	<u>\$ 439,342.20</u>	<u>\$ (6,885.56)</u>	<u>\$ 6,497,789.65</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended March 31, 2006

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Operating Revenues:			
Rental revenue	\$ 679,706.90	\$ -----	\$ 150,836.59
Operating subsidies- HUD grants	346,629.50	152,962.31	-----
Other revenues	93,796.02	-----	305.00
Total operating revenues	<u>1,120,132.42</u>	<u>152,962.31</u>	<u>151,141.59</u>
Operating Expenses:			
Personal services	528,984.78	71,852.00	7,500.00
Utilities	324,175.44	-----	8,924.51
Operations and maintenance	70,378.65	-----	6,986.25
Insurance	74,883.03	-----	15,023.16
Payment in lieu of taxes	35,996.94	-----	10,447.20
Other supplies and expenses	126,367.62	90.31	7,432.40
Depreciation	<u>474,810.53</u>	<u>49,544.86</u>	<u>18,052.41</u>
Total operating expenses	<u>1,635,596.99</u>	<u>121,487.17</u>	<u>74,365.93</u>
Operating income (loss)	<u>(515,464.57)</u>	<u>31,475.14</u>	<u>76,775.66</u>
Non-operating revenues (expenses):			
Interest and investment earnings	6,856.52	-----	55.90
Interest expense	-----	-----	(29,213.56)
Gain (Loss) on sale of fixed assets	<u>1,330.00</u>	<u>-----</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>8,186.52</u>	<u>-----</u>	<u>(29,157.66)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended March 31, 2006

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Business Activities- Historical Project</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(507,278.05)	31,475.14	47,618.00
Capital contributions	-----	250,733.26	-----
Operating transfers in (out)	<u>81,020.00</u>	<u>(81,020.00)</u>	<u>-----</u>
Change in net assets	(426,258.05)	201,188.40	47,618.00
Net assets at beginning of year	4,569,731.12	831,960.09	222,957.65
Prior period error corrections	<u>-----</u>	<u>-----</u>	<u>25,000.00</u>
Net assets adjusted at beginning of year	4,569,731.12	831,960.09	247,957.65
Equity transfers	<u>379,845.77</u>	<u>(379,845.77)</u>	<u>-----</u>
Net assets at end of year	<u>\$ 4,523,318.84</u>	<u>\$ 653,302.72</u>	<u>\$ 295,575.65</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2006

	Home Ownership	Childcare Center	Totals
Operating Revenues:			
Rental revenue	\$ -----	\$ -----	\$ 830,543.49
Operating subsidies- HUD grants	98,250.00	-----	597,841.81
Operating subsidies- other grants	-----	10,114.74	10,114.74
Other revenues	12,713.01	222,711.31	329,525.34
	<u>110,963.01</u>	<u>232,826.05</u>	<u>1,768,025.38</u>
Operating Expenses:			
Personal services	5,000.00	186,528.21	799,864.99
Utilities	3,267.92	6,466.95	342,834.82
Operations and maintenance	350.00	17,265.59	94,980.49
Insurance	223.00	2,896.55	93,025.74
Payment in lieu of taxes	1,364.31	-----	47,808.45
Other supplies and expenses	1,389.13	5,121.80	140,401.26
Depreciation	893.45	430.05	543,731.30
	<u>12,487.81</u>	<u>218,709.15</u>	<u>2,062,647.05</u>
Total operating expenses			
	<u>12,487.81</u>	<u>218,709.15</u>	<u>2,062,647.05</u>
Operating income (loss)	<u>98,475.20</u>	<u>14,116.90</u>	<u>(294,621.67)</u>
Non-operating revenues (expenses):			
Interest and investment earnings	21.84	20.13	6,954.39
Interest expense	(12,107.36)	-----	(41,320.92)
Gain (Loss) on sale of fixed assets	-----	-----	1,330.00
	<u>(12,085.52)</u>	<u>20.13</u>	<u>(33,036.53)</u>
Net non-operating revenues (expenses)			
	<u>(12,085.52)</u>	<u>20.13</u>	<u>(33,036.53)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2006

	Home Ownership	Childcare Center	Totals
Income (loss) before other revenues, expenses, gains, losses and transfers	86,389.68	14,137.03	(327,658.20)
Capital contributions	-----	-----	250,733.26
Change in net assets	86,389.68	14,137.03	(76,924.94)
Net assets at beginning of year	162,094.42	(27,110.85)	5,759,632.43
Prior period error corrections	-----	-----	25,000.00
Net assets adjusted at beginning of year	162,094.42	(27,110.85)	5,784,632.43
Net assets at end of year	\$ <u>248,484.10</u>	\$ <u>(12,973.82)</u>	\$ <u>5,707,707.49</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended March 31, 2006

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Cash flows from operating activities:			
Cash received from tenants	\$ 687,303.99	\$ -----	\$ 151,951.23
Cash received from HUD grants- operating	346,629.50	152,962.31	-----
Cash received from other operating activities	99,453.02	-----	305.00
Cash payments for goods and services	(611,672.84)	(90.31)	(40,563.19)
Cash payments to employees-salaries	(389,191.18)	(54,020.00)	(5,460.00)
Cash payments for employee benefit contributions	(163,093.17)	(17,832.00)	(2,040.00)
Cash payments for in lieu of property taxes	(37,713.22)	-----	(10,447.20)
Net cash provided (used) by operating activities	(68,283.90)	81,020.00	93,745.84
Cash flows from noncapital financing activities:			
Operating transfers in (out)	81,020.00	(81,020.00)	-----
Receipts (payments) from interprograms	103,956.70	-----	(64,605.22)
Net cash provided (used) from non capital financing activities	184,976.70	(81,020.00)	(64,605.22)
Cash flows from capital and related financing activities:			
Capital contributions	-----	263,689.97	-----
Receipts (payments) from interprograms	12,956.71	(12,956.71)	-----
Proceeds from sale of assets	1,330.00	-----	-----
Proceeds from notes receivable	-----	-----	48,763.92
Receipts (payments) from deferred credits and escrow deposits	187.01	-----	-----
Payments for capital assets	-----	(250,733.26)	-----
Principal paid on capital debt	-----	-----	(27,958.71)
Interest paid on capital debt	-----	-----	(29,341.29)
Net cash (used) for capital and related financing activities	14,473.72	-----	(8,536.08)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2006

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	(17,417.84)	----	----
Interest and dividends	6,648.35	----	55.90
Receipts (payments) from tenant security deposits	(2,781.50)	----	550.00
Net cash provided (used) from investing activities	(13,550.99)	----	605.90
Net increase (decrease) in cash and cash equivalents	117,615.53	----	21,210.44
Cash and cash equivalents at beginning of year	76,126.02	----	16,717.96
Cash and cash equivalents at end of year	\$ <u>193,741.55</u>	\$ <u>----</u>	\$ <u>37,928.40</u>
Cash and cash equivalents	\$ 191,823.87	\$ ----	\$ 37,928.40
Restricted cash and cash equivalents	<u>1,917.68</u>	----	----
Total cash and cash equivalents at end of year	\$ <u>193,741.55</u>	\$ <u>----</u>	\$ <u>37,928.40</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (515,464.57)	\$ 31,475.14	\$ 76,775.66
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	474,810.53	49,544.86	18,052.41
Allowance for doubtful accounts	(1,347.12)	----	----
Changes in assets and liabilities:			
Receivables	7,868.56	----	(8,102.24)
Inventory	(401.82)	----	----
Prepaid expenses	(7,550.81)	----	7,380.23
Accounts and other payables	(9,631.75)	----	(1,474.86)
Deferred revenues	6,732.65	----	1,114.64
Compensated absences	(22,703.70)	----	----
Accrued expenses	(595.87)	----	----
Net cash provided (used) by operating activities	\$ <u>(68,283.90)</u>	\$ <u>81,020.00</u>	\$ <u>93,745.84</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2006

	Home Ownership	Childcare Center	Totals
Cash flows from operating activities:			
Cash received from tenants	\$ -----	\$ -----	\$ 839,255.22
Cash received from HUD grants- operating	151,163.00	-----	650,754.81
Cash received from other grants	-----	10,114.74	10,114.74
Cash received from other operating activities	15,867.88	223,807.09	339,432.99
Cash payments for goods and services	(6,909.62)	(31,869.21)	(691,105.17)
Cash payments to employees-salaries	(3,540.00)	(159,926.07)	(612,137.25)
Cash payments for employee benefit contributions	(1,460.00)	(25,585.33)	(210,010.50)
Cash payments for in lieu of property taxes	(1,364.31)	-----	(49,524.73)
Net cash provided (used) by operating activities	<u>153,756.95</u>	<u>16,541.22</u>	<u>276,780.11</u>
Cash flows from noncapital financing activities:			
Receipts (payments) from interprograms	<u>(11,650.01)</u>	<u>(27,701.47)</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>(11,650.01)</u>	<u>(27,701.47)</u>	<u>-----</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	41,600.00	-----	41,600.00
Capital contributions	-----	-----	263,689.97
Proceeds from sale of assets	-----	-----	1,330.00
Proceeds from notes receivable	-----	-----	48,763.92
Receipts (payments) from deferred credits and escrow deposits	-----	-----	187.01
Payments for capital assets	-----	-----	(250,733.26)
Payments for inventory held for sale	(105,794.43)	-----	(105,794.43)
Principal paid on capital debt	(1,731.29)	-----	(29,690.00)
Interest paid on capital debt	<u>(11,970.86)</u>	<u>-----</u>	<u>(41,312.15)</u>
Net cash (used) for capital and related financing activities	<u>(77,896.58)</u>	<u>-----</u>	<u>(71,958.94)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2006

	Home Ownership	Childcare Center	Totals
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	-----	-----	(17,417.84)
Interest and dividends	21.84	20.13	6,746.22
Receipts (payments) from tenant security deposits	-----	-----	(2,231.50)
Net cash provided (used) from investing activities	21.84	20.13	(12,903.12)
Net increase (decrease) in cash and cash equivalents	64,232.20	(11,140.12)	191,918.05
Cash and cash equivalents at beginning of year	662.92	11,344.95	104,851.85
Cash and cash equivalents at end of year	\$ <u>64,895.12</u>	\$ <u>204.83</u>	\$ <u>296,769.90</u>
Cash and cash equivalents	\$ 64,895.12	\$ 204.83	\$ 294,852.22
Restricted cash and cash equivalents	-----	-----	1,917.68
Total cash and cash equivalents at end of year	\$ <u>64,895.12</u>	\$ <u>204.83</u>	\$ <u>296,769.90</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 98,475.20	\$ 14,116.90	\$ (294,621.67)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	893.45	430.05	543,731.30
Allowance for doubtful accounts	-----	(51.68)	(1,398.80)
Changes in assets and liabilities:			
Receivables	54,902.13	1,033.78	55,702.23
Inventory	-----	-----	(401.82)
Prepaid expenses	-----	(299.46)	(470.04)
Accounts and other payables	(513.83)	181.14	(11,439.30)
Deferred revenues	-----	113.68	7,960.97
Compensated absences	-----	1,016.81	(21,686.89)
Accrued expenses	-----	-----	(595.87)
Net cash provided (used) by operating activities	\$ <u>153,756.95</u>	\$ <u>16,541.22</u>	\$ <u>276,780.11</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2006	Low Rent Program	14.850a	\$ <u>346,629.50</u>
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2006	Capital Fund program	14.872	\$ <u>403,695.57</u>
	<u>Low Income Public Housing</u>		
2006	<u>Nonmajor - Indirect Program</u>		
	<u>(Pass through Michigan State Housing</u>		
	<u>Development Authority)</u>		
	Home Ownership - Business Activities		
	HOME Investment Partnership Program	14.239	\$ <u>98,250.00</u>
2006	<u>US Department of Education</u>		
	<u>Nonmajor - Indirect Program</u>		
	<u>(Pass through State of Michigan Department</u>		
	<u>of Education)</u>		
	Childcare Center - Business Activities		
	Child and Adult Care Food Program	10-558	\$ <u>10,114.74</u>
	Total		\$ <u>858,689.81</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-03</u>
Funds approved	\$ 400,162.00
Funds expended	<u>400,162.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 400,162.00
Funds expended	<u>400,162.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated August 18, 2005 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>
Funds approved	\$ 79,750.00
Funds expended	<u>79,750.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 79,750.00
Funds expended	<u>79,750.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated October 24, 2005 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ 191,823.87	\$ ----	\$ 37,928.40
113	Cash-other restricted	1,917.68	----	----
100	Total cash	193,741.55	----	37,928.40
	Accounts and notes receivable:			
125	Accounts receivable- miscellaneous	555.00	----	10,426.80
126	Accounts receivable- tenants-dwelling rents	7,102.23	----	----
126.1	Allowance for doubtful accounts-dwelling rents	(1,034.60)	----	----
129	Accrued interest receivable	497.66	----	----
120	Total receivables, net of allowance for doubtful accounts	7,120.29	----	10,426.80
	Current investments:			
131	Investments-unrestricted	157,684.69	----	----
142	Prepaid expenses and other assets	51,355.80	----	536.77
143	Inventories	6,943.18	----	----
144/ (347)	Interprogram due from	94,359.90	----	12,825.22
150	Total current assets	511,205.41	----	61,717.19

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Noncurrent Assets:			
	Fixed assets:			
161	Land	234,748.45	-----	84,400.00
162	Buildings	11,814,444.26	568,957.66	644,263.11
163	Furniture, equipment and machinery-dwellings	162,514.00	15,076.00	-----
164	Furniture, equipment and machinery- administration	214,421.29	139,964.18	1,310.00
165	Leasehold improvements	626,813.99	5,600.41	-----
166	Accumulated depreciation	<u>(8,856,085.87)</u>	<u>(76,295.53)</u>	<u>(97,059.40)</u>
160	Total fixed assets, net of accumulated depreciation	<u>4,196,856.12</u>	<u>653,302.72</u>	<u>632,913.71</u>
174	Other assets	-----	-----	8,337.86
176	Investment in joint venture	-----	-----	<u>1,000.00</u>
180	Total noncurrent assets	<u>4,196,856.12</u>	<u>653,302.72</u>	<u>642,251.57</u>
190	Total Assets	<u>\$ 4,708,061.53</u>	<u>\$ 653,302.72</u>	<u>\$ 703,968.76</u>
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ (39,251.32)	\$ -----	\$ (2,310.06)
321	Accrued wage / payroll taxes payable	(215.63)	-----	-----
322	Accrued compensated absences- current portion	(12,617.80)	-----	-----
325	Accrued interest payable	-----	-----	(1,778.10)
333	Accounts payable -other government	(35,996.94)	-----	-----
341	Tenant security deposits	(72,929.50)	-----	(10,490.00)
342	Deferred revenues	(12,697.39)	-----	(3,605.02)
343	Current portion of L - T debt capital projects	-----	-----	(30,058.41)
346	Accrued liabilities-other	-----	-----	<u>(1,000.00)</u>
310	Total current liabilities	<u>(173,708.58)</u>	<u>-----</u>	<u>(49,241.59)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Noncurrent Liabilities:			
351	Long-term debt, net of current-capital projects	-----	-----	(359,151.52)
353	Noncurrent liabilities-other	(1,917.68)	-----	-----
354	Accrued compensated absences- non current portion	(9,116.43)	-----	-----
350	Total noncurrent liabilities	(11,034.11)	-----	(359,151.52)
300	Total liabilities	(184,742.69)	-----	(408,393.11)
	Equity:			
508.1	Investment in capital assets , Net of Related Debt	(4,196,856.12)	(653,302.72)	(243,703.78)
512.1	Unrestricted Net Assets	(326,462.72)	-----	(51,871.87)
600	Total Liabilities and Equity	<u>\$ (4,708,061.53)</u>	<u>\$ (653,302.72)</u>	<u>\$ (703,968.76)</u>
	Revenue:			
703	Net rental revenue	\$ (671,269.13)	\$ -----	\$ (150,675.11)
704	Tenant revenue-other	(12,332.43)	-----	(41.06)
705	Total tenant revenue	(683,601.56)	-----	(150,716.17)
706	HUD PHA operating grants	(346,629.50)	(152,962.31)	-----
706.1	HUD PHA capital grants	-----	(250,733.26)	-----
711	Investment income-unrestricted	(6,856.52)	-----	(55.90)
715	Other revenue	(93,796.02)	-----	(305.00)
716	Gain on sale of fixed assets	(1,330.00)	-----	-----
700	Total revenue	(1,132,213.60)	(403,695.57)	(151,077.07)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Expenses:			
	Administrative			
911	Administrative salaries	243,889.61	46,520.00	5,460.00
912	Auditing fees	5,000.00	----	----
914	Compensated absences	(22,703.70)	----	----
915	Employee benefit contributions-administrative	92,072.87	17,832.00	2,040.00
916	Other operating-administrative	55,066.73	90.31	7,432.40
	Tenant services			
924	Tenant services-other	66,300.89	----	----
	Utilities			
931	Water	97,577.50	----	3,228.84
932	Electricity	55,790.44	----	3,321.80
933	Gas	170,807.50	----	2,373.87
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	144,705.70	----	----
942	Ordinary maintenance and operation-materials & other	29,187.97	----	150.54
943	Ordinary maintenance and operation-contract costs	40,803.17	----	6,835.71
945	Employee benefit contributions-ordinary maintenance	71,020.30	----	----
	Protective services			
951	Protective services-labor	----	7,500.00	----
952	Protective services-other contract costs	387.51	----	----
	General expenses			
961	Insurance premiums	74,883.03	----	15,023.16
963	Payments in lieu of taxes	35,996.94	----	10,447.20
964	Bad debts- tenant rents	3,894.66	----	(120.42)
967	Interest expense	----	----	29,213.56
969	Total operating expenses	<u>1,164,681.12</u>	<u>71,942.31</u>	<u>85,406.66</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
970	Excess (deficit) operating revenue over operating expenses	<u>(32,467.52)</u>	<u>331,753.26</u>	<u>65,670.41</u>
974	Depreciation expense	<u>474,810.53</u>	<u>49,544.86</u>	<u>18,052.41</u>
	Total expenses other than total operating	<u>474,810.53</u>	<u>49,544.86</u>	<u>18,052.41</u>
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(507,278.05)	282,208.40	47,618.00
1001	Operating transfers in	81,020.00	----	----
1002	Operating transfers out	<u>-----</u>	<u>(81,020.00)</u>	<u>-----</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ (426,258.05)</u>	<u>\$ 201,188.40</u>	<u>\$ 47,618.00</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ 64,895.12	\$ 204.83	\$ 294,852.22
113	Cash-other restricted	-----	-----	1,917.68
100	Total cash	64,895.12	204.83	296,769.90
	Accounts and notes receivable:			
125	Accounts receivable- miscellaneous	1,165.74	1,965.51	14,113.05
126	Accounts receivable- tenants-dwelling rents	-----	-----	7,102.23
126.1	Allowance for doubtful accounts-dwelling rents	-----	-----	(1,034.60)
126.2	Allowance for doubtful accounts-other	-----	(98.28)	(98.28)
129	Accrued interest receivable	-----	-----	497.66
120	Total receivables, net of allowance for doubtful accounts	1,165.74	1,867.23	20,580.06
	Current investments:			
131	Investments-unrestricted	-----	-----	157,684.69
142	Prepaid expenses and other assets	-----	1,251.62	53,144.19
143	Inventories	-----	-----	6,943.18
144/ (347)	Interprogram due from	(94,716.21)	(12,468.91)	-----
145	Assets held for sale	426,446.14	-----	426,446.14
150	Total current assets	397,790.79	(9,145.23)	961,568.16

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Noncurrent Assets:			
	Fixed assets:			
161	Land	18,307.00	----	337,455.45
162	Buildings	26,803.61	900.00	13,055,368.64
163	Furniture, equipment and machinery-dwellings	----	----	177,590.00
164	Furniture, equipment and machinery- administration	----	5,926.57	361,622.04
165	Leasehold improvements	----	----	632,414.40
166	Accumulated depreciation	<u>(3,559.20)</u>	<u>(4,566.90)</u>	<u>(9,037,566.90)</u>
160	Total fixed assets, net of accumulated depreciation	<u>41,551.41</u>	<u>2,259.67</u>	<u>5,526,883.63</u>
174	Other assets	----	----	8,337.86
176	Investment in joint venture	----	----	<u>1,000.00</u>
180	Total noncurrent assets	<u>41,551.41</u>	<u>2,259.67</u>	<u>5,536,221.49</u>
190	Total Assets	<u>\$ 439,342.20</u>	<u>\$ (6,885.56)</u>	<u>\$ 6,497,789.65</u>
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ (337.14)	\$ (1,620.61)	\$ (43,519.13)
321	Accrued wage / payroll taxes payable	----	----	(215.63)
322	Accrued compensated absences- current portion	----	(2,383.00)	(15,000.80)
325	Accrued interest payable	(652.25)	----	(2,430.35)
333	Accounts payable -other government	----	----	(35,996.94)
341	Tenant security deposits	----	----	(83,419.50)
342	Deferred revenues	----	(1,240.70)	(17,543.11)
343	Current portion of L - T debt capital projects	----	----	(30,058.41)
346	Accrued liabilities-other	----	----	<u>(1,000.00)</u>
310	Total current liabilities	<u>(989.39)</u>	<u>(5,244.31)</u>	<u>(229,183.87)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.	Home Ownership 14.239	Childcare Center 10-558	Total
Noncurrent Liabilities:			
351 Long-term debt, net of current-capital projects	(189,868.71)	----	(549,020.23)
353 Noncurrent liabilities-other	----	----	(1,917.68)
354 Accrued compensated absences- non current portion	----	(843.95)	(9,960.38)
350 Total noncurrent liabilities	(189,868.71)	(843.95)	(560,898.29)
300 Total liabilities	(190,858.10)	(6,088.26)	(790,082.16)
Equity:			
508.1 Investment in capital assets , Net of Related Debt	148,317.30	(2,259.67)	(4,947,804.99)
512.1 Unrestricted Net Assets	(396,801.40)	15,233.49	(759,902.50)
600 Total Liabilities and Equity	\$ (439,342.20)	\$ 6,885.56	\$ (6,497,789.65)
Revenue:			
703 Net rental revenue	\$ ----	\$ ----	\$ (821,944.24)
704 Tenant revenue-other	----	----	(12,373.49)
705 Total tenant revenue	----	----	(834,317.73)
706 HUD PHA operating grants	(98,250.00)	----	(597,841.81)
706.1 HUD PHA capital grants	----	----	(250,733.26)
708 Other government grants	----	(10,114.74)	(10,114.74)
711 Investment income-unrestricted	(21.84)	(20.13)	(6,954.39)
715 Other revenue	(12,713.01)	(223,955.93)	(330,769.96)
716 Gain on sale of fixed assets	----	----	(1,330.00)
700 Total revenue	(110,984.85)	(234,090.80)	(2,032,061.89)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.		Home Ownership 14.239	Childcare Center 10-558	Total
	Expenses:			
	Administrative			
911	Administrative salaries	3,540.00	159,926.07	459,335.68
912	Auditing fees	----	----	5,000.00
914	Compensated absences	----	1,016.81	(21,686.89)
915	Employee benefit contributions-administrative	1,460.00	25,585.33	138,990.20
916	Other operating-administrative	1,389.13	5,121.80	69,100.37
	Tenant services			
924	Tenant services-other	----	----	66,300.89
	Utilities			
931	Water	752.95	1,863.52	103,422.81
932	Electricity	565.39	3,245.06	62,922.69
933	Gas	1,949.58	1,358.37	176,489.32
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	----	----	144,705.70
942	Ordinary maintenance and operation-materials & other	350.00	16,556.54	46,245.05
943	Ordinary maintenance and operation-contract costs	----	709.05	48,347.93
945	Employee benefit contributions-ordinary maintenance	----	----	71,020.30
	Protective services			
951	Protective services-labor	----	----	7,500.00
952	Protective services-other contract costs	----	----	387.51

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No.	Home Ownership 14.239	Childcare Center 10-558	Total
General expenses			
961 Insurance premiums	223.00	2,896.55	93,025.74
963 Payments in lieu of taxes	1,364.31	----	47,808.45
964 Bad debts- tenant rents	----	----	3,774.24
966 Bad debts- other	----	1,244.62	1,244.62
967 Interest expense	12,107.36	----	41,320.92
969 Total operating expenses	23,701.72	219,523.72	1,565,255.53
970 Excess (deficit) operating revenue over operating expenses	87,283.13	14,567.08	466,806.36
974 Depreciation expense	893.45	430.05	543,731.30
Total expenses other than total operating	893.45	430.05	543,731.30
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	86,389.68	14,137.03	(76,924.94)
1001 Operating transfers in	----	----	81,020.00
1002 Operating transfers out	----	----	(81,020.00)
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 86,389.68	\$ 14,137.03	\$ (76,924.94)

Sailor

Khan & Co.

Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2006, and have issued our report thereon dated June 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

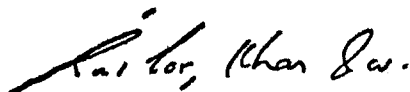
Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Big Rapids Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
June 8, 2006

**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

Compliance

We have audited the compliance of the Big Rapids Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Commission's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

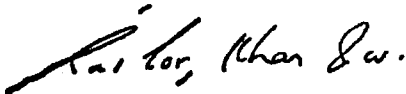
Sailor

Khan & Co.

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Big Rapids Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
June 8, 2006

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATUS OF PRIOR AUDIT FINDINGS

March 31, 2006

The prior audit report for the year ended March 31, 2005 contained a total of three audit findings:

Financial Statement Findings

Finding: Notes Receivables.
Status: Implemented

Federal Awards Findings

Finding: Budget Overruns.
Status: Implemented

Finding: Minutes Not Signed
Status: Implemented

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2006

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	Yes

Identification of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program</u>
------------------	--------------------------------

14-850a	Public and Indian Housing
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2006 disclosed no Financial Statement audit findings.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2006

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2006 disclosed the following Federal Awards audit findings:

1. Bank Collateral.

Federal Program:

14-850 Public and Indian Housing - Low Rent Program

14.239 Home Ownership

10-558 Childcare Center

----- Business Activities - Historical Project

Criteria:

Federal funds must be secured with FDIC or security pledged to the Housing Commission at all times.

Condition:

The Housing Commission did not obtain collateral for the balance exceeding FDIC limit at Chemical Bank.

Questioned Costs:

None.

Effect:

Federal funds were not fully collateralized at March 31, 2006.

Cause:

The Housing Commission did not monitor its balances closely enough to ensure that all funds were fully secured.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2006

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

1. Bank Collateral (Continued)

Recommendation:

We recommend that the Housing Commission take the appropriate steps to ensure that the cash balances are fully secured at all times.

Management's Response:

The Big Rapids Housing Commission has a general depository agreement, HUD-51999, executed with Chemical Bank West requiring collateralization or insurance of all amounts exceeding the federal deposit insurance company limits. Chemical Bank West failed to provide the necessary insurance or collateralization as required by the general depository agreement. The Big Rapids Housing Commission will more closely monitor and require documentation that the necessary and required insurance and/or collateral is secured for all amounts that exceed the FDIC amounts.

Action Plan:

Mark W. Sochocki, Executive Director, will be responsible for resolving this finding. It is anticipated that this finding will be resolved within thirty (30) days.